



# Amendments to the proposition of law concerning the Spanish bank levy, extending its scope to ECB supervised banks operating in Spain through branches or subsidiaries

Tax Alert



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## Amendments to the proposition of law concerning the Spanish bank levy, extending its scope to ECB supervised banks operating in Spain through branches or subsidiaries

**Back in July, the Spanish Government presented a proposition of law before Congress to introduce a Spanish levy on the activity of credit entities and credit financial establishments. Last Thursday 10 of November, the political parties currently leading the Government proposed amendments to the proposition of law. These amendments seek to apply the bank levy to credit entities subject to direct supervision by the European Central Bank, and the Spanish branches of such banks when foreign, even if the gross interest and commissions derived by these entities or branches in 2019 did not reach the EUR 800 million threshold.**

Back in July, the Spanish Government presented a proposition of law before Congress to introduce a Spanish levy on the activity of credit entities and credit financial establishments, with the objective of raising an additional EUR 1.5 – 2 billion of tax revenues over the next two years (2023 and 2024). It is meant to be a temporary and extraordinary contribution.

The basic features of this new measure, as revealed to the public in summer, were as follows:

- The levy would be an annual public contribution (not a tax), amounting to 4,8% of the amount derived from adding the interest margin and the net commissions derived by the in-scope entities.
- Credit entities and credit financial establishments should be in scope of the levy if their income arising from gross interest and commissions was equal or exceeded EUR 800 million in 2019. When credit entities and credit financial establishments are members of a Corporate Tax group in Spain, this analysis should be made by reference of the gross interest and commissions derived by the tax group in 2019.
- The levy will be treated as a non-deductible item of expense for Corporate Tax purposes in Spain.
- Credit entities and credit financial establishments will be forbidden from charging or passing on the cost of the levy, directly or indirectly. A specific penalty is proposed in this respect, amounting to 150% of the cost unlawfully charged or passed on.

This new proposition of law is currently being discussed at Congress and may suffer changes along the way.

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The wording of the amendment is as follows:

*“The levy referred to in the preceding paragraph must also be paid by credit institutions subject to direct supervision by the European Central Bank on January 1, 2023, as well as by branches established in Spain of foreign credit institutions subject to direct supervision by the European Central Bank on the aforementioned date, whatever the amount of their interest and commission income.”*

KPMG Spain is following closely the advancement of the proposition of law.

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